

Budget Committee Report

Report to the Board of Managers for its FY2013 Budget Work Session:

Since December the Budget Committee has held three meetings to review the 2013 budget prepared by the Village Manager pursuant to the general guidelines provided her by the Board at its Dec. 2011 meeting. It found her proposal to be consistent with these guidelines and offers the following observations:

1. Revenue estimates.

- At \$1,750K the estimate for the Village's income tax allocation is roughly \$100K below what should be realized should resident 2011 Md. taxable incomes come in at the same \$329 million level as reported for 2010. However, Village incomes (especially for high bracket taxpayers) have proved to vary widely from year to year. The 2010 figure was 25% below the calendar 2007 high water mark but 11% above the 2009 figure which was in turn the lowest amount reported since 2003. Given the fairly stable Washington area economy over the past year, we might reasonably expect 2011 reported taxable incomes to be at or above 2010 experience and the \$1,750K estimate would appear appropriately to cover our downside risk.

- the revenue to be realized through the *SafeSpeed* Program as always is uncertain. The Committee is aware that the Board is considering a pending recommendation to intensify collection efforts for program accountability, the revenue results from which are unknown and have not been factored into the current revenue projections.

- the Manager's proposal anticipates continuing real and personal property tax revenue at the constant yield rate. The Committee has not yet considered whether any adjustment in either of these tax rates might be appropriate.

2. Expense estimates: Departmental and contract services. The Committee has been pleased to see the substantial reductions that have been accomplished in the cost of Village services. Legal costs, number of staff positions, and departmental operating expense have all been reduced without any apparent, negative consequences. In aggregate, the budget for departmental services will be down in FY 2013 by \$1,557,281 from its FY 2010 high water mark. The number of staff positions has been reduced from 32 to 27.

While the committee believes Ms. Shana Davis-Cook's proposal is generally consistent with the Board's Dec. guidelines, there are a number of specific elements within the proposal to which it believes further Board attention should be given:

- A. The Board should decide soon whether to approve CALEA, police department program certification in the amount of \$10,500 for FY 2013. The preparation effort would have to be initiated shortly and would be wasted effort if eventually the program were not approved.
- B. Police communications equipment. A determination is needed as to whether FY 2013 purchases are needed and compatible with future Communications Center requirements.
- C. Further communications cost savings. The new personnel configuration expected to be effective in 2013 is already operational. Additional changes effected in job descriptions

will produce further savings. Can more efficiency be introduced in hours and personnel?
Can night time coverage be configured for savings with negligible loss of effectiveness?

- D. Contract landscape services include mowing public lands between private property and the roadway. Many residents mow these areas (substantial, according to Staff) and the Village is paying the contractor for that service. Should all residents be asked to do so in view of possible savings (staff estimate--\$10,000) in a re-negotiation of the contract?

3. Expense estimates: Parks, Trees, and Greenspace: Given the importance of trees to the Village community in terms of the danger to life and property that they pose (quite apart from their ecological value and beauty), the budgeted amount (\$166K) may be disproportionate to the public safety risks they represent.

Since risks posed by trees are often not limited to one property, the Board might wish to consider the inventorying of trees of certain size on private as well as public property and identification of those in need of further inspection, treatment or removal. This would complement efforts to increase the Village canopy.

4. Expense estimates: Fleet, facilities and infrastructure. Budget for these activities have been reduced from a high of \$456K in FY 2011 to a low of \$370K in FY 2012. This reduction has been in part due to deferral of equipment purchases and street repairs, in part from a more selective approach to tree care, and in part from a shift of street re-paving and equipment acquisition into the Capital and Other Special Projects component of the budget. The 2013 budget extends the expense level anticipated for the current year, but will increase funds for purchase of trees to help restore the Village canopy, a step which the committee endorses.

5. Capital and other special projects: This category includes vehicle and equipment acquisitions and other one-time (in some cases multi-year) capital and other projects for which Board approval is expected to be requested during the budget year - or to continue a special project approved in a prior year. In some cases the estimate is reasonably firm; in others, it is more in the nature of a placeholder. Overall, the committee regards a net \$1,170K FY2013 outlay to be affordable and appropriate to the Village's present situation. There are several components of the proposal, however, to which it believes further Board attention will be needed:

- a decision will be needed next fall as to the best approach to restoring streets which have been trenched by WSSC to replace water mains. This is a fairly high dollar item (up to \$350K) with pros and cons to alternate approaches.

- the estimate for police technology is at this time a "placeholder". The committee anticipates that more detail may be available within a month or so to permit a more realistic estimate.

- amounts shown for several other projects (e.g. boiler replacement, Chevy Chase Open Space, the digital archiving project, resident survey, etc.) also are tentative and will need review prior to final authorization.

6. Village reserves: As noted in the accompanying tables, Village reserves should at the conclusion of this fiscal year total some \$5,646,770 million, a slightly higher number than had

been anticipated in December due to increases in FY 2012 revenue estimates and lower expenses. The Committee reminds all concerned that \$1 million of this amount is necessary to cover first quarter expenses and other working capital needs and a further substantial buffer (on the order of \$1.7 million) should be reserved against income fluctuation, *SafeSpeed* Program uncertainties, and other contingencies

7. FY 2013 draw on reserves and future outlook. The Committee notes that, with real and personal property tax rates held at a constant yield level, current revenues (conservatively estimated) should in 2013 exceed current operating costs by almost \$1 million. There is of course considerable uncertainty associated with this estimate, particularly in attempting any projection into years beyond 2013.

Looking out over the five year horizon, the principal concerns relate to the variability of the Village income tax allocation and uncertainties associated with the *SafeSpeed* Program. Though it seems likely that the SS program (and its ground rules) will continue, the number of citations issued will likely continue its slow decline. Additionally, the present excessive level of uncollected accounts may within 2-3 years be drawn down to a level that will no longer yield a supplement to on-going revenues.

In sum, by 2016 the committee expects that revenues (unadjusted for inflation) could be off perhaps \$0.5 million. But it also believes that the requirements for Capital and other special projects will be reduced from the 2013 \$1.2 million level to something in the range of \$300-500K. If so, overall revenue vs. expense should be fairly close to equal - an outcome which still preserves a good margin for unforeseen future projects and contingencies given the "going in" level of Village reserves.

2/8/2012

	Actual	FY 2011	Current Year Est.			
Revised 2/3/2012						
I. Revenue						
Income Tax						
Property Tax						
Investments & Misc. Income						
Cost Recoveries/Grants						
Citation Revenue						
WSSC Reimbursement						
Total Revenue						
II. Costs						
A. On-going Programs						
Department Services						
Police						
Communications						
Public Works						
Capital Contracts						
Administration*						
Legal Counsel-General						
State User Fees						
Facilities, Fleet, & Infrastructure						
Village Hall						
Parks, Trees, & Greenspace						
Lights						
Subtotal						
Income vs. On-going Expense						
B. Capital and Special Projects						
Equipment						
Projects						
Subtotal						
Total Costs						
III. Budgeted Deficit/Draw on Reserves						
Reserves						
Beginning of Year Reserves						
End of Year Reserves						

* \$238,158 of legal expenses are included in the Admin. Operations.

Legal Expenses anticipates Review of Building Code and Personnel Manual

Net Taxable Data
Banded Aggregate Liability
TY 2010

NTI \$ per range per filing

-	to	10,000	241	\$	436,934
10,000	to	19,999	53		785,402
20,000	to	29,999	48		1,202,922
30,000	to	39,999	36		1,235,744
40,000	to	49,999	33		1,478,702
50,000	to	59,999	55		3,339,443
75,000	to	99,999	58		5,096,941
100,000	to	124,999	28		3,148,649
125,000	to	149,999	34		4,706,354
150,000	to	174,999	25		4,052,331
175,000	to	199,999	34		6,322,693
200,000	to	249,999	51		11,505,336
250,000	to	299,999	32		8,711,041
300,000	to	349,999	41		13,293,567
350,000	to	399,999	21		7,813,567
400,000	to	449,999	36		16,220,960
500,000	to	599,999	22		12,000,507
600,000	to	699,999	12		7,722,551
700,000	to	799,999	21		15,612,193
800,000	to	899,999	19		16,223,375
900,000	to	999,999	15		14,345,955
1,000,000	to	1,499,999	31		37,374,346
1,500,000	to	2,999,999	32		67,787,241
3,000,000	to	Beyond 3m	15		68,430,452
			993	\$	328,847,205

Table 4

New Safe Speed Citations Issued Since July 2010

	FY 11	FY 12
July	5,620	4,155
August	4,675	3,997
September	3,273	2,841
October	3,210	3,535
November	4,090	2,657
December	3,489	3,422
January	4,027	
February	2,676	
March	2,985	
April	3,584	
May	3,531	
June	4,415	
Total	45,575	20,607
<u>Monthly Avg.</u>		
July-Sept.	4,523	3,664
Oct.-Dec.	3,596	3,205
Jan.-Mar	3,229	
Apr-Jun	3,843	